

Message Text

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ACTION EB-07

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SUBJECT: JOINT VENTURE AND MANAGEMENT CONTRACTS

REF: STATE 113191

1. WITH THE ADVENT OF IRON ORE NATIONALIZATION EFFECTIVE AT THE BEGINNING OF 1975, U.S. STEEL COMPANY AND BETHLEHEM STEEL REMAIN IN VENEZUELA UNDER ON-YEAR MANAGEMENT CONTRACTS WITH THE STATE-OWNED VENEZUELA GUAYANA CORPORATION. THESE ARE THE ONLY PRIVATE COMPANIES INVOLVED IN THE VENEZUELAN IRON ORE INDUSTRY.
 2. U.S. STEEL, KNOWN LOCALLY AS ORINOCO MINING COMPANY, ACCOUNTED FOR APPROXIMATELY 84 PER CENT OF THE TOTAL VENEZUELAN IRON ORE PRODUCTION OF 26.4 MILLION TONS IN 1974. BETHLEHEM STEEL, KNOWN AS IRON MINES COMPANY OF VENEZUELA, ACCOUNTED FOR 15 PER CENT. SIDOR, THE VENEZUELAN STATE-OWNED STEEL INDUSTRY, ACCOUNTED FOR THE REMAINING ONE PER CENT OF PRODUCTION.
 3. FOR 1975, A SLIGHT NET INCREASE IN PRODUCTION WAS PLANNED BY THE COMPANIES UNDER THEIR MANAGEMENT CONTRACTS. U.S. STEEL PROJECTED 24 MILLION TONS PRODUCTION, UP FROM 22.1 MILLION TONS IN 1974. HOWEVER, MARKET DEMAND IS OFF DUE TO HEAVY IRON ORE INVENTORY POSITIONS OF U.S. STEEL CUSTOMERS, AND PRODUCTION HAS ALSO BEEN HALTED BY A STRIKE. THE COMPANY NOW BELIEVES IT WILL BE FORTUNATE TO EQUAL 1974
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PRODUCTION. BETHLEHEM STEEL PROJECTED 3 MILLION TONS FOR 1975, DOWN

FROM THE 4 MILLION THE COMPANY WAS RECORDED AS HAVING PRODUCED IN 1974. BETHLEHEM, HOWEVER, DOES NOT ANTICIPATE PRODUCING MORE THAN 2 MILLION TONS THIS YEAR BECAUSE THE COMPANY IS HAVING DIFFICULTIES WITH ITS NEW MINERAL WASHING PLANT. THE PARENT COMPANY'S SPARROWS POINT PLANT IN BALTIMORE WILL ONLY ACCEPT WASHED IRON ORE IN THE FUTURE, AND DIFFICULTIES WITH THE NEW INSTALLATION HERE ARE THE REASON FOR THE LOWER PRODUCTION ESTIMATE. ALSO, BETHLEHEM NOW HAS ABOUT 50 PER CENT OF THE IRON MINES OPERATION SHUT IN BY THE STRIKE. IF THE STRIKE PERSISTS, THE PRODUCTION ESTIMATE COULD BE FURTHER LOWERED. IN SUMMARY, 1975 PRODUCTION BY THE TWO COMPANIES WILL ALMOST CERTAINLY BE NO MORE, AND PROBABLY WILL BE AT LEAST 2 MILLION TONS LESS THAN 1974.

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